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# CENTRAL INTELLIGENCE GROUP

## INTELLIGENCE REPORT

COUNTRY Yugoslavia

DATE: 25X1X6

SUBJECT Oil Drilling, Distillation and  
Methane Projects in Yugoslavia  
25X1A6a

INFO

DIST.2 January 1947

PAGES 2

SUPPLEMENT

ORIGIN

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1. Engineer Graf, brother-in-law of an Italian General, a Director of the Mineral Oil Refinery of Fiume, and a representative of a local coal firm, was contacted in September 1946 by Dr. Orzich, a representative of the Yugoslav Government, seeking to obtain from the Italian Government machinery for oil drilling and for distillation of lubricating oils. Following several meetings, a preliminary plan was agreed upon that in exchange for three machines (j. Masserenti), one of 600, one of 1500, and one of 2000 metric tons, of Italian production, the Yugoslav Government would furnish 18,500 tons of coal from the Arsa coal mine. In addition to these three machines, the Yugoslavs expressed interest in acquiring 20 rotary machines for which they offered to make payment in copper, lead and coal. A contract for the exchange was signed on 23 September 1946, subject to the approval of the Italian Government. To date such approval has not been granted.
2. It is believed the three mentioned machines would eventually be installed in the following localities: the 1,500 metric ton, at Gojilo (Province of Zagreb); the 2,000 metric ton, at Tuzla (Bosnia); and the 600 metric ton, in the Medjumurje region. The locality or places in which the 20 rotary machines would be installed is presently unknown.
3. During the discussions the Yugoslav representative revealed that a study was being made to construct a plant for the extraction of natural gas methane (CH-sub 4), which according to experiments and studies made by Russian geologists in Yugoslavia (see [REDACTED] Exploitation of Oil Deposits, 30 December 1946), could be located in the following areas in such specified proportions as: over 20 million of M3 in the Banat; over 30 million of M3 in Bosnia; and, over 50 million of M3 in Croatia. Italian and German geologists, who previously made similar studies, discovered such gas to be present in exceptional quantities in the regions of Gojilo, Varasdin, Tuzla, and especially in the Karlovac region.
4. In connection with the possibilities of building a plant, Engineer Zarmatti, an Italian expert in this field, was approached by Yugoslav representatives. During the meeting between Dr. Orzich and Engineer Zarmatti, it was confidentially disclosed by Dr. Orzich that the methane (CH-sub 4) would be extracted in order to transform it into a fluid fuel and that with this in mind the study of the plant should be focused in that direction. The locality selected for the construction of the plant would be in the southern part of Bosnia. He also pointed out that a maximum of secrecy should be

CLASSIFICATION

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ADSO	x	A DEP.	x	FST	SPD	x			
DADSO		FRK		FBV	SPS				
EXEC.		FBL		FBX	SPD				
CONTROL		FBM		FBZ	SCO				
PLANS	x								

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carried out concerning the contemplated project, especially towards the Allies.

5. At a later meeting the General Director of ROMSA (Petroleum Refinery) in Fiume, Dr. Orzich, Engineer Lazich and Engineer Zarmatti, questions concerning installations, the lay-out of the pipe lines, and the distribution and compression of methane in Yugoslavia, were discussed. Engineer Zarmatti, when asked whether it was possible to achieve the transformation of the gas into liquid by using a special piece of machinery invented by the Russians, stated that this was impossible, and that it was unsuccessfully tried several times by the Germans in various localities, including Zistendorf in Austria.

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